



1999 SMALL BUSINESS PROFILE: KENTUCKY

By any measure, small businesses are critical to the economic well-being of Kentucky. They create new businesses (and the new jobs that go with them); bring new and innovative services and products to the marketplace; and provide business ownership opportunities to diverse (and traditionally underrepresented) groups. These contributions are clearly established in the statistical portrait contained in this *Small Business Profile* compiled by the U.S. Small Business Administration's Office of Advocacy.

Number of Businesses. In 1998 there were 85,500 businesses with employees, of which approximately 97 percent were small businesses (fewer than 500 employees). The number of small businesses with employees increased by 8.2 percent from 79,000 in 1997. There were 123,000 self-employed persons in 1998. While there is some overlap between these two groups (firms with employees and self-employed persons), a rough calculation puts the total number of businesses at 208,500. (Sources: U.S. Dept. of Labor, Employment and Training Administration; U.S. Dept. of Commerce, Bureau of the Census; U.S. Dept. of Labor, Bureau of Labor Statistics)

Women-Owned Businesses. There were 44,000 self-employed women in 1998, representing 35.8 percent of total self-employment in the state. (Source: U.S. Dept. of Labor, Bureau of Labor Statistics)

Minority-Owned Businesses. According to the latest figures available, there were 7,421 minority-owned businesses in 1992, including 5,097 Black-owned businesses; 752 Hispanic-owned firms; and 1,614 firms owned by Asians, Pacific Islanders, American Indians, and Alaskan Natives. (Data may not add to the total because an owner may be a member of more than one minority group.) Of these businesses, 1,349 had employees, with employment totaling 8,600. (Source: U.S. Dept. of Commerce, Bureau of the Census)

Business Turnover. In 1998, 9,500 new employer firms were formed, 0.3 percent more than the number formed in 1997. There were 9,000 business terminations in 1998, a 10.1 percent decrease from 1997. Business bankruptcies totaled 8,500 in 1998, a 20.7 percent decrease from 1997. (Sources: U.S. Dept. of Labor, Employment and Training Administration; Administrative Office of the U.S. Courts; U.S. Dept. of Commerce, Bureau of the Census)

Employment. In 1996, businesses with fewer than 500 employees accounted for 716,400 employees, or 52.3 percent of the state's 1,370,700 private-sector non-farm employment. Small-business employment was concentrated in the following sectors: construction, wholesale trade, and services (see Table 1). Small businesses added a net total of 11,900 employees between 1995 and 1996, accounting for 56.4 percent of the total private non-farm employment change in the state (see Table 2). The industries with the greatest percentage increases in employment among small businesses were: business services; eating and drinking places; hotels and other lodging places (see Table 3). (Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses)

Recent figures show that small firm job growth has continued. According to data prepared for the SBA's Office of

Advocacy by Cognetics, Inc., non-farm businesses added 126,400 net new jobs in the state between 1994 and 1998. In almost all industries, the most prolific job creators were firms with fewer than five employees. (Source: Cognetics, Inc.)

Small Business Income. There is no single measure of small business profitability because firms may operate as sole proprietorships, partnerships, or corporations. A partial measure — non-farm proprietors’ income — totaled \$5.1 billion in 1998, an increase of 6.3 percent from \$4.8 billion in 1997. (Source: U.S. Dept. of Commerce)

Finance. The SBA’s Office of Advocacy ranked the 269 banks in the state that filed “call reports” with federal banking regulators on the basis of dollar value, number, and percentage of small commercial loans (under \$1 million) outstanding on June 30, 1998. (See Table 4 for the top-ranking small-business-friendly banks.) In addition to these banks, small businesses seeking loans should consider lenders that participate in the SBA’s loan programs (so-called “preferred” or “certified” lenders); for a list of these lenders, call the Small Business Answer Desk at (800) 827-5722. Small businesses looking for qualified investors can also turn to the Access to Capital Electronic Network (*ACE-Net*). For more information, contact an *ACE-Net* operator at (502) 564-2064 or via e-mail at *NChristian@mail.state.ky.us*.

To learn more about the Office of Advocacy’s data, analyses, and research reports on small business, call (202) 205-6530 or visit the office’s Web site at www.sba.gov/advo.

TABLES

Table 1. Employment by Industry and Firm Size, 1996 (thousands)

<i>Industry</i>	<i>Total</i>	<i>Firm Size by Number of Employees</i>		<i>< 500 as Percent of Industry Total</i>
		<i>1–19</i>	<i>1–499</i>	
Total non-farm employment	1,370.7	260.5	716.4	52.3
Agricultural services	*	*	*	*
Mining	24.2	*	12.7	52.3
Construction	72.1	32.6	69.8	96.8
Manufacturing	304.3	14.2	93.1	30.6
Transportation, communications, and utilities	85.5	12.0	30.4	35.6
Wholesale trade	81.1	20.1	54.8	67.6
Retail trade	318.2	63.8	175.2	55.0
Finance, insurance, and real estate	68.8	14.2	33.1	48.1
Services	408.7	96.9	240.7	58.9
Unclassified	*	*	*	*

* Data not available due to disclosure restrictions.

Source: U.S. Dept. of Commerce, Bureau of the Census.

Table 2. Non-Farm Job Gains and Losses by Firm Size, 1995–1996 (thousands)

	<i>Firm Size</i>		
	<i>Total</i>	<i>1–19</i>	<i>1–499</i>
Gains:			
New establishments	77.3	23.0	43.5
Expanding establishments	126.1	37.2	78.8
Losses:			
Downsized establishments	(125.4)	(25.2)	(71.8)
Closed establishments	<u>(56.9)</u>	<u>(20.2)</u>	<u>(38.6)</u>
Net change in employment	21.1	14.8	11.9

Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses, 1999.

Table 3. Fastest Small Business Employment Growth by Industry, 1995–1996 (thousands)

<i>Industry</i>	<i>SIC</i>	<i>Small Business Employment 1996</i>	<i>Net Change*</i>	<i>Percent Change</i>
Total, all industries		716.4	5.2	0.7
Business services	7300	35.2	2.5	7.6
Eating and drinking places	5800	75.0	5.1	7.3
Hotels and other lodging places	7000	9.1	0.6	6.6
Amusement and recreation services	7900	11.5	0.6	5.3
Auto repair, services, and parking	7500	10.5	0.4	3.8

* Net change in Table 2 differs by definition from net change in Table 3. Table 2 uses dynamic data to track changes in individual businesses over time, whereas Table 3 uses static data to take snapshots of the universe of businesses at two different points in time.

Note: Table shows the top five industries. Includes only businesses with fewer than 500 employees. Industries with less than 1 percent change in small business employment are not included.

Source: U.S. Dept. of Commerce, Bureau of the Census, Statistics of U.S. Businesses, 1999.

Table 4. Small-Business-Friendly Banks, 1998

<i>Bank Name</i>	<i>Location</i>
First and Farmers Bank of Somerset	Somerset
Peoples Bank and Trust Company of Hazard	Hazard
First Citizens Bank	Shepherdsville
Bank of Mt. Vernon	Mount Vernon
Commonwealth Bank and Trust Company	Middletown
Farmers Deposit Bank	Eminence
Peoples Commercial Bank	Winchester
South Central Bank	Glasgow
Ohio Valley National Bank of Henderson	Henderson
First National Bank of Manchester	Manchester
First National Bank, Russell Springs	Russell Springs
Stock Yards Bank and Trust Company	Louisville
Fifth Third Bank Northern Kentucky	Covington

Source: U.S. Small Business Administration, Office of Advocacy, from data collected by the Federal Reserve Board.

The full list of small-business-friendly banks can be found on the Office of Advocacy's Web site at www.sba.gov/advo/lendinginus2.html.